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\*\*\*\*\* T O P S E C R E T \*\*\*\*\* COPY

OP IMMED  
DE WTE #2873 1481653  
O 281710Z MAY 75  
FM THE SITUATION ROOM//TOMAK 27//

TO GONPERT/ADAMS FOR THE SECRETARY

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VIA 86070 WH50968

ON-FILE NSC RELEASE INSTRUCTIONS  
APPLY

TOMAK 27

MAY 28, 1975

MEMORANDUM FOR SECRETARY KISSINGER  
FROM: THE SITUATION ROOM  
SUBJECT: INFORMATION ITEMS

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USSR, LIBYA CHARGE EGYPT WITH EXAGGERATING ARMS DEAL: THE  
USSR AND LIBYA HAVE BEEN QUICK TO DENY EGYPTIAN CHARGES THAT  
THE SOVIETS WILL GET BASES IN LIBYA AND HAVE CALLED CAIRO'S  
CLAIMS OF A \$4 BILLION ARMS DEAL "EXAGGERATED." THIS MORNING'S  
PRESS SAYS SADAT CLAIMED THE ARMS DEAL WAS \$12 BILLION. THE  
INTELLIGENCE COMMUNITY NOTES THAT CAIRO'S CHARGES ARE INDEED  
OVERSTATED, BUT MOSCOW AND TRIPOLI APPARENTLY DID ENTER INTO  
A NEW ARMS AGREEMENT DURING PREMIER KOSYGIN'S VISIT; THE LIB-  
YANS MAY HAVE AGREED TO PERMIT THE SOVIETS ACCESS TO SOME MILI-  
TARY FACILITIES. A SOVIET OFFICIAL HAS SAID THE DETAILS OF MOS-  
COW'S ARMS SALE WERE TO BE WORKED OUT BY THE SOVIET MILITARY  
AID DELEGATION WHICH REMAINED IN LIBYA AFTER KOSYGIN LEFT.

DOS, NSA  
review(s)  
completed.

\*\*\*\*\* WHSR COMMENT \*\*\*\*\*

SECFL

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ULTRA-RIGHTISTS ATTACK BASQUES, SPANISH PRIME MINISTER ARIAS: THE UNREST IN THE BASQUE PROVINCES OF SPAIN HAS TRIGGERED COUNTERMEASURES BY THE FRANCO GOVERNMENT AND DEMANDS BY ULTRA-RIGHTISTS FOR THE REMOVAL OF PRIME MINISTER ARIAS. LAST WEEK, THE GOVERNMENT IMPOSED A NEWS BLACKOUT ON ALL BUT OFFICIAL REPORTING FROM THE TWO BASQUE PROVINCES THAT ARE UNDER A STATE OF EMERGENCY. THE BAN FOLLOWED NEWS STORIES ABOUT WIDESPREAD ARRESTS AND MISTREATMENT OF POLITICAL SUSPECTS AND WAS INTENDED TO PREVENT OPPONENTS OF THE REGIME FROM EXPLOITING THE GOVERNMENT'S PROBLEMS WITH THE BASQUES. LEAFLETS URGING ARIAS TO STEP DOWN HAVE BEEN CIRCULATED; ONE ALLUDED TO PRESIDENT FORD'S VISIT TO MADRID THIS WEEK-END AND SUGGESTED THAT SPAIN SHOULD HAVE A LEADER WHO WOULD "DEFEND THE BASES." THE POLICE MADE NO EFFORT TO HALT THE DEMONSTRATION.

ULTRA-RIGHTISTS HAVE LONG SOUGHT TO OUST THE PRIME MINISTER. THEY ARE NOT LIKELY TO SUCCEED NOW, BUT THEY PROBABLY BELIEVE THAT THEY CAN INDUCE PRINCE JUAN CARLOS TO CHOOSE ANOTHER PRIME MINISTER WHEN HE SUCCEEDS FRANCO. MEANWHILE, THE COMMANDING GENERAL OF THE SIXTH MILITARY REGION, ON A VISIT TO THE BASQUE AREA, SAID THE ARMY IS BEHIND THE POLICE, EVEN IF THE ARMY'S MISSION DOES NOT INCLUDE MAINTAINING PUBLIC ORDER. THE SPANISH BISHOPS, ON THE OTHER HAND, HAVE ISSUED A STATEMENT REPUDIATING VIOLENCE IN TERMS THAT MAKE IT CLEAR THAT VIOLENCE, EVEN IN THE NAME OF PUBLIC ORDER, IS UNACCEPTABLE TO THE CHURCH.

ZAMBIA REFUSES CUT IN PRODUCTION SET BY COPPER CARTEL: ZAMBIA, ONE OF THE FOUR COUNTRIES IN THE INTERGOVERNMENTAL COUNCIL OF COPPER EXPORTING COUNTRIES, HAS REFUSED TO ACCEPT THE COUNCIL'S CUTBACK IN PRODUCTION OF 15 PERCENT. THE CUTBACK WAS TO HAVE BEGUN ON APRIL 15. ZAMBIA EARLIER HAS REPORTED TO BE STOCKPILING 15 PERCENT OF ITS PRODUCTION. ZAMBIA HAS NOT YET COMPLIED WITH THE CUTBACK. PERU IS SUPPORTING THE CUTBACK PUBLICLY, BUT PROBABLY HAS NOT FULLY IMPLEMENTED IT. ONLY CHILE APPEARS TO HAVE CUT BACK PRODUCTION AS AGREED. THE COUNCIL HAS NO MEANS OF ENFORCING THE DECISION.

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THAT DESPITE WORLDWIDE CUTS IN PRODUCTION, WORLD COPPER STOCKS ARE MORE THAN ONE MILLION TONS, EQUAL TO TWO MONTHS' CONSUMPTION AT PRESENT RATES. LITTLE INCREASE IN PRICES IS THOUGHT LIKELY UNTIL THE ECONOMIES OF THE MAJOR INDUSTRIAL COUNTRIES RECOVER,

OPEC FINANCIAL SURPLUSES: THE VALUE OF OIL EXPORTS BY MEMBERS OF THE OPEC FELL TO \$25 BILLION IN THE FIRST QUARTER OF 1975, THIRTEEN PERCENT BELOW THE QUARTERLY AVERAGE OF LAST YEAR. BECAUSE OF THE DECLINE IN ECONOMIC ACTIVITY AND IN INVENTORIES HELD BY THE OIL COMPANIES, EXPORT VOLUME SLIPPED TO 25.2 MILLION BARRELS A DAY, COMPARED WITH 28.2 MILLION IN THE PRECEDING QUARTER. THE LARGEST CUTS OCCURRED IN SAUDI ARABIA (OFF 1.6 MILLION BARRELS A DAY), NIGERIA (0.4 MILLION BARRELS A DAY), AND THE UAE (0.3 MILLION BARRELS A DAY). IN ADDITION, THE WEIGHTED AVERAGE PRICE OF CRUDES DROPPED SLIGHTLY, AS OIL COMPANIES BOUGHT THE LOWEST COST OIL. PRELIMINARY DATA INDICATE THAT IMPORTS INTO OPEC STATES REACHED \$12 BILLION, THE INCREASE FROM THE PREVIOUS QUARTER WAS SMALL, BECAUSE IMPORT GROWTH WAS UNUSUALLY RAPID IN LATE 1974 AND PRICE INCREASES WERE MODERATED. THE FASTEST GROWING MARKETS WERE IRAN, IRAQ, ALGERIA, AND NIGERIA.

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THE OPEC STATES HAD AN INVESTABLE SURPLUS OF \$13 BILLION FOR THE QUARTER. IT WOULD HAVE BEEN \$1 BILLION HIGHER HAD IRAN NOT ALLOWED THE OIL CONSORTIUM TO DELAY ITS MARCH PAYMENT UNTIL THE SECOND QUARTER. THE OPEC CURRENT ACCOUNT SURPLUS IS EXPECTED TO DECLINE BY \$2 BILLION IN THE SECOND QUARTER, TO \$9 BILLION. SEASONALLY LOWER OIL CONSUMPTION AND A CONTINUING REDUCTION OF COMPANY INVENTORIES SHOULD REDUCE OIL EXPORTS BY AT LEAST \$1 BILLION. CIA ESTIMATES THAT OPEC IMPORTS FOR 1975 AS A WHOLE WILL REACH \$54 BILLION, A 55-PERCENT INCREASE, AS AGAINST A 75-PERCENT RISE LAST YEAR. THE SLOWER RISE IS ATTRIBUTABLE TO SMALLER PRICE INCREASES. THE CURRENT ACCOUNT SURPLUS FOR 1975 WILL BE ABOUT \$41 BILLION, OR \$29 BILLION LESS THAN IN 1974. THE EXPECTED DECLINE IN ACTUAL RECEIPTS IS ONLY \$15 BILLION BECAUSE OF LAGS IN OIL RECEIPTS. THIS DECLINE IS \$10 BILLION GREATER THAN CIA ESTIMATED BECAUSE THE WORLDWIDE RECESSION HAS PROVED MORE SEVERE THAN EXPECTED AND BECAUSE OPEC IMPORTS HAVE INCREASED MORE THAN ANTICIPATED.

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